

VZCZCXRO9733
OO RUEHGH
DE RUEHUL #1965/01 3520256
ZNR UUUUU ZZH
O 180256Z DEC 09
FM AMEMBASSY SEOUL
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6496
RUCPDOC/USDOC WASHDC 9526
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC//DDI/OEA//
RHFMUNA/USCINCPAC HONOLULU HI//FPA//
RUEKJCS/SECDEF WASHINGTON DC
RUEKJCS/Joint STAFF WASHINGTON DC
RUEKDIA/DIA WASHINGTON DC//DB-Z//
RUEHMO/AMEMBASSY MOSCOW 0622
RUEHBJ/AMEMBASSY BEIJING 7059
RUEHKO/AMEMBASSY TOKYO 7118
RUEHGH/AMCONSUL SHANGHAI 1613
RUEHSH/AMCONSUL SHENYANG 5435
RUEHIN/AIT TAIPEI 4365
RUEHGP/AMEMBASSY SINGAPORE 7576
RUCNDT/USMISSION USUN NEW YORK 1849
RUEHGV/USMISSION GENEVA 3153
RUEHLO/AMEMBASSY LONDON 2229
RUEHFR/AMEMBASSY PARIS 2835

UNCLAS SECTION 01 OF 04 SEOUL 001965

SIPDIS

E.O. 12958: N/A

TAGS: PREL PGOV MARR ECON KPAO KS US

SUBJECT: SEOUL - PRESS BULLETIN; December 17, 2009

TOP HEADLINES

Chosun Ilbo
Plane Impounded in Thailand Contains
Taepodong-2 Missile Parts

JoongAng Ilbo, Hankook Ilbo, All TVs
Court Issues Warrant to Arrest Former Prime Minister

Dong-a Ilbo, Seoul Shinmun
17 Killed in Tourist Bus Crash near Gyeongju

Hankyoreh Shinmun
Blue House Effectively Rejects "Three-Way Meeting" between Leaders
of Ruling and Opposition Parties and President Lee
to Resolve Budget Impasse

Segye Ilbo
Gas Rates to be Linked to Global Oil Prices

INTERNATIONAL NEWS

According to a diplomatic source in Washington and foreign media,
President Barack Obama sent a personal letter to North Korean leader
Kim Jong-il that was delivered last week when Special Representative
for North Korea Policy Stephen Bosworth visited Pyongyang. (All)

According to Reuters, Thai investigators searching cargo seized from
a plane from North Korea that landed in Bangkok have found weaponry
that includes unassembled Taepodong-2 missile parts. (Chosun,
Dong-a, Hankook)

A high-ranking Thai government security official said: "Given that
North Korea has developed the Taepodong-2 missile in cooperation
with Iran, some experts believe that the seized weapons (were
destined for) Iran." (Chosun, Dong-a, Hankook)

According to a source in Seoul, North Korean leader Kim Jong-il
ordered the November currency revaluation in his country to get a
better handle on the North's economy. The source said that the North

Korean leader issued a directive in early September saying that the North's planned economy and the market economy, which developed after an earlier economic reform, could not coexist. (JoongAng)

According to a source well-versed in North Korean affairs, North Korea's arms exports this year have reached nearly \$200 million, twice the amount of last year's. (Dong-a)

MEDIA ANALYSIS

-N. Korea

All ROK media covered yesterday's foreign media reports that President Barack Obama sent a personal letter to North Korean leader Kim Jong-il, which was delivered last week when Special Representative for North Korea Policy Stephen Bosworth visited Pyongyang.

Conservative Chosun Ilbo noted Washington's unwillingness to make public the existence of the letter, and said that there is speculation that President Obama may have made "bold" promises (to North Korea), such as a bilateral summit, if the North's denuclearization proceeds smoothly.

Conservative Segye Ilbo quoted Foreign Minister Yu Myung-hwan as telling reporters yesterday: "(I am) aware that North Korea conveyed

SEOUL 00001965 002 OF 004

to Ambassador Bosworth, who traveled to the North from Dec. 8 to 10, that the U.N. sanctions on the country are unreasonable. This is nothing new. (The claim) is similar to the North's insistence that the U.S. drop its hostile policy toward the North before it returns to the Six-Party Talks."

Most media replayed a Dec. 16 report by Reuters that Thai investigators searching cargo seized from a plane from North Korea that landed in Bangkok have found weaponry that includes unassembled Taepodong-2 missile parts. A high-ranking Thai government security official was widely quoted as saying: "Given that North Korea has developed the Taepodong-2 missile in cooperation with Iran, some experts believe that the seized weapons (were destined for) Iran."

Conservative Chosun Ilbo, in a related development, gave attention to a Dec. 8 report by Japan's Sankei Shimbun claiming that North Korea is assisting Iran in developing a cruise missile. According to the Japanese daily, an unnamed diplomatic source claimed that the missile under development is capable of carrying a nuclear warhead and could lead to technical improvements in Middle Eastern and North Korean missile technologies.

FEATURES

NORTH'S KIM MOVED TO END MARKET ECONOMY
(JoongAng Daily, December 17, 2009)

By Reporter Jeong Yong-soo

North Korean leader Kim Jong-il had ordered the November currency revaluation in his country in September to get a better handle on the economy, the JoongAng Ilbo has learned.

A source in Seoul said yesterday that Kim issued a directive in early September to officials handling the economy saying that North Korea's planned economy and the market economy, which developed after an earlier economic reform, could not coexist.

"The currency reform was designed to restore order within, and strengthen, the centrally planned economy," the source said, referring to the economic system managed directly by the state.

The central government makes all economy-related decisions.

Relying a message from a high-ranking economic official in Pyongyang, the source added, "The new economic policy line, reflecting Kim Jong-il's wishes, is expected to be included in his New Year's Day editorial in newspapers on Jan. 1."

Soon after the revaluation began on Nov. 30, exchanging old bills for new ones at the rate of 100 to 1, various sources said the move was aimed at curbing inflation following the economic reform measures from July 1, 2002.

The North in 2002 introduced some market economy aspects, raising wages, expanding corporate incentives and gave companies leeway to set their own business plans. The side effects have been inflation and a widening gap between the rich and the poor.

The Seoul source also said Kim Jong-il asked the economic officials to attract more investments from the Western world, including the United States.

"North Korea tried to draw investment through special financial districts in 1993 and 2002, but had little success," the source said. "This time, the North (plans to) expand those special districts and will try to bring in foreign capital to other areas, too."

Professor Chin Hee-gwan of Inje University's unification studies program said the North has in effect acknowledged the failure of the July 1 measures.

SEOUL 00001965 003 OF 004

"The expanded market economy had a spillover effect on the planned economy, and internally, the North has admitted its mishap," Chin said. "The North's economy now appears to be on the upswing, and it must be confident about supplying goods through its ties with China."

A North Korean expert at a state-run research institute said Kim Jong-il had already hinted in his June statement that economic change was imminent. Kim at the time said the North Korean people should strive to achieve "self-reliant economic revival."

"Stressing self-reliance essentially meant doing away with the July 1 measures," the expert said. "I can just picture Kim agonizing over what to do with the side effects from July 1."

IS NORTH KOREA TAKING A POSITIVE ATTITUDE AFTER BOSWORTH'S VISIT DUE TO OBAMA'S PERSONAL LETTER?
(JoonAng Ilbo, December 17, Page 10)

By Correspondents Choi Sang-yeon and Kim Dong-ho

U.S. Special Representative for North Korea Policy Stephen Bosworth's visit to North Korea produced much more positive results than expected. On December 11, one day after Ambassador Bosworth wrapped up his visit, a North Korean Foreign Ministry spokesman said that the two sides reached a series of common understandings on the need to resume the Six-Party Talks and the importance of implementing the September 19 Joint Statement. The U.S. said that this statement signals a good start.

Even though North Korea stopped short of pledging to return to the Six-Party Talks, it is the first time the North mentioned the resumption of the Six-Party Talks and the implementation of the September 19 Joint Statement since it vowed never to return to the multilateral forum in April. Therefore, this represents a significant change in North Korea's attitude.

U.S. experts on North Korea viewed this change (in the North Korean attitude) as somewhat unexpected. North Korea and the U.S. had no discussions on follow-up talks. Moreover, Ambassador Bosworth's visit did not include a meeting with North Korean leader Kim Jong-il. Therefore, diplomatic sources in Washington speculated that "something" is behind the change in North Korea's attitude. It turns out that the change was apparently driven by President Obama's

personal letter which Ambassador Bosworth delivered to Kim Jong-il.

A presidential letter is not diplomatically binding but generally contains polite requests from a state leader. A presidential letter is often kept under wraps and remains undisclosed. This time again, the Obama Administration reportedly stressed to the other Six-Party nations that the fact should not be disclosed. The ROKG is maintaining the position that "Ambassador Bosworth did not talk about the personal letter, and we do not know about it" or that "It is not appropriate to mention it."

The problem is the contents of the letter. Up until now, the Obama Administration has reiterated that it will not withdraw sanctions against North Korea or provide other incentives in order to persuade the North to rejoin the Six-Party Talks. Assistant Secretary of State for Public Affairs Philip Crowley noted, "Ambassador Bosworth and the team made clear to North Korea, should they come back to the Six-Party process, should they take affirmative steps in the denuclearization process, then a range of other possibilities open up for North Korea." In this regard, Japan's Yomiuri Shimbun quoted a USG official as saying on December 16, "When Ambassador Bosworth visited Pyongyang, the North asked him to provide it with a justification for returning to the Six-Party Talks." The daily added, "The official presumed that the lifting of the economic sanctions is the justification."

Former U.S. Presidents Bill Clinton and George W. Bush also sent their personal letters to North Korean leader Kim Jong-il. However,

SEOUL 00001965 004 OF 004

President Obama's letter is unusual in the sense that the missive was sent after intensive diplomatic efforts. Former President Bush wrote in his letter sent in late 2007, late in his term, "We can have normalized relations on the condition that North Korea fully discloses its nuclear plans."

STEPHENNS